partnership prosperity

SUCCESS IN THE NEW ECONOMY

YEAR 1 PROGRESS REPORT

FALL 2002

www.saskprosperity.sk.ca

Government of Saskatchewan

Youth
Innovation
Digital
Revitalization

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for prosperity
SUCCESS IN THE NEW ECONOMY

Minister's Message

Launched in June 2001, *Partnership for Prosperity* is a comprehensive, integrated economic strategy for Saskatchewan – with some extremely ambitious goals. Despite some unanticipated challenges – severe drought, terrorist attacks in the United States, volatility in energy and commodity prices, market instability and a slowdown in the world economy – we have made substantial progress toward meeting or surpassing most of our targets by 2005.

There are also a number of indications our economy is steadily gaining momentum. Consumer reaction to interest rate reductions and ongoing stimulative monetary and fiscal policy in Canada and the US are having a positive impact on Saskatchewan's economy. Major forecasters are all predicting steady positive growth for the economy. Real GDP is growing. And job creation is on the upswing.

A commitment was made last year to report on progress toward meeting our Targets for Success. This document reports on activities by government and its partners that are strengthening Saskatchewan's economy and creating the right environment for growth.

Eldon Lautermilch
Minister of Industry and Resources

prosperous people

A Full Employment Economy

TARGET

INCREASE THE NUMBER OF JOBS BY AT LEAST 30,000 BY 2005

- Despite ongoing difficulties in the agriculture sector and weakness in the world economy, non-agricultural job growth is strong. In August 2002, there were 9,100 more non-agricultural jobs in the province than the previous August
- Eight consecutive balanced budgets and 10 credit rating upgrades since 1995 are creating a strong climate for business investment and growth
- Saskatchewan has gone from having one of the worst debt-to-GDP ratios in the country to one of the best
- The number of Saskatchewan residents receiving social assistance has decreased steadily for the past eight years, and the province's unemployment rate remains one of the lowest in the country

STATUS – The number of jobs increased in the year 2000 to a record employment level of 485,000 (an increase of 4,900 jobs over the 1999 baseline of 480,100). Due to a difficult year last year, job growth has been somewhat slower than originally expected. However, strong job creation this spring and summer points to excellent potential for sustainable job growth. Recent seasonally unadjusted figures indicate there were 496,800 people employed in August 2002 – an increase of 6,300 compared to August 2001. In the first eight months of 2002, employment is up by 3,100 over the same period last year while non-agricultural employment is up by 6,300.

Higher Incomes for Saskatchewan People

TARGET

REDUCE PERSONAL INCOME TAXES BY OVER 25% FOR AN AVERAGE SASKATCHEWAN FAMILY BETWEEN 1999 AND 2003

- Provincial income tax rates have dropped for five consecutive years
- Saskatchewan's basic personal, seniors', child and spousal tax credits are among the most generous in the country
- The province's top marginal income tax rate is third lowest in Canada
- Income tax reform means thousands of low-income Saskatchewan families no longer pay provincial income tax

STATUS – This target will be surpassed. In 2003, an average dual-income Saskatchewan family earning $50,000 will pay 29% less in provincial income taxes than it did in 1999.

TARGET

INCREASE AVERAGE PERSONAL DISPOSABLE INCOME BY 20% BY 2005

- Provincial income tax will again be reduced in 2003 with lower tax rates, expanded tax brackets and higher tax credits. Taxation years 2004 and beyond will also see the indexation of income tax brackets and tax credit amounts
- Additional personal disposable income gains are expected from enhanced educational opportunities, increasing participation in the workforce, and diversification of our economy into higher-value employment

STATUS – In 1999, personal disposable income after tax averaged $17,167. The 2005 target is over $20,600 – almost $3,500 more in personal disposable income for the typical Saskatchewan taxpayer. With personal disposable incomes expected to rise by an average of 3.6% a year between 2001 and 2004, this target is likely to be surpassed.

More Opportunities for Young People

TARGET

ACHIEVE NET YOUTH IN-MIGRATION BY 2005

- Since 1995, more than 23,000 people – many in rural communities – have participated in employment-related skills training programs. One-third of participants are under age 25, and almost 90% are employed upon program completion
- The province's education and tuition tax credits are the second highest in the country
- The 2002-03 budget provided $174 million for employment and skills training programs, designed to create almost 25,000 training opportunities
- In the 2000 tax year, over two-thirds of post-secondary graduates took advantage of a provincial tax credit, which encourages them to work and live in Saskatchewan
- A 2001 SIAST survey found that 92% of employed graduates were working in the province

STATUS – In 1990, the number of young people leaving the province peaked at over 6,000. In the last five years, net youth out-migration averaged 2,539. The province's improving economic climate, competitive cost of living, and increasing training and employment opportunities should help to reverse the earlier trend. We must continue to aggressively work on this target.

Equipping People for the New Economy

TARGET

INCREASE THE PROPORTION OF WORKING-AGED PEOPLE WITH SOME POST-SECONDARY EDUCATION BY 15% BY 2005

- The 2002-03 budget increased operating grants to post-secondary institutions by $15 million to over $332 million, and boosted funding to upgrade and enhance facilities from $30 million to $50 million
- Revitalization of Saskatchewan's two universities has led to significant hiring of new faculty, innovative new programming, greater success in attracting research funding, and new initiatives in Aboriginal education and on-campus employment
- Financial barriers to post-secondary education are being reduced for many students. Education tax credits have been doubled and the Student Aid Program increased the interest relief period from 18 to 54 months

STATUS – In 2000, approximately 273,000 people had attained some post-secondary education (more than 56% of residents aged 24 to 64). The education level of the province's workforce continues to increase.

Exploiting the Internet and E-Commerce

TARGET

INCREASE THE NUMBER OF BUSINESSES AND FAMILIES CONNECTED TO THE INTERNET BY 40% BY 2005

- CommunityNet has connected every First Nations school, 70% of all schools, 60% of health-care facilities and half of the government offices to high-speed Internet. By 2004, CommunityNet will have connected 366 Saskatchewan communities
- The Canada-Saskatchewan Infrastructure Program will connect 162 libraries to high-speed service through CommunityNet
- Public libraries offer computer and Internet training programs throughout the province. A mobile training lab will bring these opportunities to communities without access to a library

STATUS – In Statistics Canada's household Internet use survey in 1999, just under 24% of Saskatchewan households were connected to the Internet. Two years later, just over 40% were connected. This means Saskatchewan residents are connecting to the Internet faster than anticipated and the family component of the target has almost been achieved one year into the strategy.

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Access to Opportunity for First Nations and Métis People

TARGET

Increase the employment rate of First Nations and Métis people by 20% by 2005

- One of the key goals of the comprehensive *Strategy for Métis and Off-Reserve First Nations People* is to help Aboriginal children graduate from high school. The province has doubled its commitment to the Community Schools initiative and extended it from urban elementary and northern schools to include secondary and rural schools. Eighty-eight Saskatchewan schools are now designated Community Schools
- The Post-Secondary Aboriginal Education & Training Action Plan is being implemented to address the growing demand for Aboriginal education and training
- The Saskatchewan Indian Federated College will receive $600,000 in provincial funding to build more lab facilities to educate Aboriginal students for science-based careers
- The Aboriginal Employment Development Program is expanding partnerships with employers and unions to identify future employment opportunities, create sensitive work environments and link training with jobs. The program promotes Aboriginal economic development and gives Aboriginal people an opportunity to compete for jobs on an equal footing
- Now in its second year, the Aboriginal Public Service Internship Program provides Aboriginal university graduates with a solid foundation for careers in the provincial public service

STATUS – Aboriginal employment statistics are only collected during the Census. The most recent data from 1996 revealed 38% of the Aboriginal workforce was employed (24,190 people). 2001 Census data will be available in January 2003 and is expected to show we are on track to meet this target.

prosperous

businesses and co-operatives

Growth and Prosperity in our Key Sectors

TARGET

Among comparable provinces and states, Saskatchewan will be the most cost competitive jurisdiction in which to do business in our key sectors

- Government continues to implement affordable, sustainable tax reductions
- New regulatory and legislative changes are reducing red tape and improving competitiveness for Saskatchewan professionals, businesses and cities

STATUS – The January 2002 KPMG *Competitive Alternatives* study confirmed that Saskatchewan is one of the most competitive places to do business. Of the nine countries surveyed (seven of them G-7 countries), Canada was the most competitive overall. Among all major cities in the North American midwest, Saskatoon was ranked the second most competitive and Regina was fourth. Saskatchewan's four largest cities – Regina, Saskatoon, Prince Albert and Moose Jaw – all ranked better than the Canadian average.

A Vibrant Private Sector

TARGET

7,500 start-ups of new businesses and co-operatives annually

- Saskatchewan's Small Business Loans Association Program provided $3.4 million to 495 businesses last year. These businesses created 1,130 jobs
- In 2001-02, labour-sponsored venture capital funds invested $14 million in 21 Saskatchewan companies
- The 2002-03 budget improved business tax competitiveness, increased support for research and development, and changed royalty and tax structures to encourage investment in the mineral and energy sectors
- The government is joining with credit unions and the private sector to raise up to $60 million in venture capital over the next five years for new or expanding Saskatchewan companies in our key sectors
- A new six-year, $12.6-million mineral exploration incentive program will provide enhanced geoscience funding and incentives for both prospector and exploration companies. Other program components include a 10-year royalty holiday for new precious and base metals, a competitive diamond royalty and tax structure, and a new fuel tax rebate for off-road mineral exploration and remote power generation
- Entrepreneurs have better access to a wide range of business information and services at Saskatchewan Industry and Resources regional offices and Northern Affairs offices that are now co-located with partners who provide complementary services

STATUS – The target was adopted from the Saskatchewan Chamber of Commerce's *Action Saskatchewan* strategy. It was originally determined that annual incorporation figures would be used to indicate success. In 2001, approximately 3,000 new businesses and co-operatives were incorporated. However, an additional 4,300 new business names were registered in the province. Government will continue to work with the Chamber and the business and co-operative sectors to measure business start-ups effectively.

Exports and Diversification

TARGET

Increase non-traditional exports by 60% by 2005

- Negotiations on a Free Trade Area of the Americas agreement are expected to be complete by 2005. This agreement will make the Western Hemisphere (excluding Cuba) the largest free trade area in the world and should significantly improve our market access to Central and South America
- The "Doha Round" of multilateral trade negotiations within the World Trade Organization (WTO) began in November 2001. These negotiations hold particular significance for Saskatchewan's agriculture sector. In agriculture, the negotiations are aimed at improving market access, reducing/eliminating tariffs and agricultural export subsidies, and reducing trade-distorting domestic support among our main competitors in the United States and Europe. They are also intended to increase opportunities to export value-added products, both ag and non-ag.
- Trade Team Saskatchewan brings together federal and provincial partners to work collaboratively on international business development. Activities include sharing of best practices and new programs, export business seminars and an online calendar of trade-related events

STATUS – Non-traditional exports were $4.8 billion in 2000. In 2001, the global economic slowdown contributed to a very slight decrease in the value of these exports. Significant export growth is forecast for the next five years, and the targeted 60% growth to $7.35 billion should be achieved.

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Research and Development

TARGET

BECOME A WORLD LEADER IN RESEARCH AND DEVELOPMENT (R & D) THAT ENHANCES OUR ABILITY TO BENEFIT FROM OUR UNIQUE RESOURCES, INFRASTRUCTURE AND MARKET INTERESTS

- The 2002-03 budget provided $132 million in R & D funding for government departments, universities and the private sector
- Funding for health research increased by nearly 80% to $9.2 million this year
- More than $6 million in provincial tax incentives encourage private sector R & D investment

Putting a Greenhouse Gas to Good Use

Something is going on deep under the ground near Weyburn that is attracting a lot of interest from scientists and researchers around the world.

The $1.1 billion Carbon Dioxide (CO_2) Enhanced Oil Recovery Project is breathing extended life into the Weyburn oil field by pumping CO_2 into the oil bearing geological formation to force more oil out. At the same time, the CO_2 – a greenhouse gas – is literally "trapped" underground where it cannot contribute to global warming.

A $20-million International Energy Agency project is monitoring the sequestration of carbon dioxide at the site to verify and ultimately predict the ability of an oil reservoir to securely and economically store CO_2. The project is coordinated by the Petroleum Technology Research Centre (PTRC) in Regina, which studies ways to improve oil recovery rates and reduce production costs in the province's petroleum industry.

STATUS – Research and development is an area where government investments today ensure our competitiveness in the future. In 1999, provincial, federal and private sector R & D investment was approximately $317 million.

Fostering a More Positive, Winning Attitude

TARGET

80% OF SASKATCHEWAN PEOPLE WILL SEE THIS PROVINCE AS A GREAT PLACE IN WHICH TO LIVE, WORK AND DO BUSINESS BY 2005

- Saskatchewan Industry and Resources and the private sector are implementing a comprehensive strategic branding initiative for the province
- The first Saskatchewan Opportunities Week in May 2002 provided a showcase for innovative Saskatchewan products and services
- The Saskatchewan Business Ambassadors Program provides Saskatchewan businesses with information to distribute when travelling outside the province
- Provincial media are featuring *Saskatchewan Dream* vignettes that profile successful Saskatchewan businesses
- The *Only in Saskatchewan* contest gave young people a chance to express career dreams, share successes and explain why Saskatchewan is the ideal place to study, work and live

STATUS – Saskatchewan people say it is not enough to be a competitive jurisdiction. It must also be perceived as a great place to live, work and do business. In September 2001, 77% of Saskatchewan residents held that opinion of the province. During *Partnership for Prosperity* consultations, there was almost unanimous agreement that addressing attitude was a top priority. Increased optimism is expected with economic rebound, and we must celebrate what we have achieved. Public opinion surveys will continue to gauge public attitudes about Saskatchewan.

prosperous communities

Revitalizing Rural Saskatchewan

TARGET
INCREASE THE SALE OF AGRI-VALUE PROCESSED PRODUCTS BY 50% BY 2005

- The 2002 Rural Economic Opportunities Conference provided information on creating and expanding business enterprises in rural Saskatchewan
- Internet-based profiles will soon be available that will help communities and regions with their business development and investment attraction efforts
- The Canada-Saskatchewan Infrastructure Program will invest at least $170 million over five years to improve water supply and wastewater facilities, roads, bridges and airstrips. Over 170 of the 240 projects already approved are located in rural areas
- The Agricultural Development Fund invested $7.4 million in nearly 250 research projects last year
- Saskatchewan's hog industry grew 10% in 2001, and 15% to 20% growth is projected this year
- Saskatchewan's organic food industry is averaging 20% growth annually

STATUS – In 2001, the value of Saskatchewan's food and beverage processed products was $1.87 billion, a modest 3.4% growth rate over 2000. The substantial development and expansion taking place in the agri-value sector, along with greater strength in the economies of our major trading partners, should significantly increase sales of agri-value processed products over the next few years.

Research and Development

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Become a world leader in Research and Development (R & D) that enhances our ability to benefit from our unique resources, infrastructure and market interests

- The 2002-03 budget provided $132 million in R & D funding for government departments, universities and the private sector
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A Modern, Strong Transportation System

TARGET
Develop a safe and efficient highways and transportation network that supports economic development

- The 2001-02 highways and transportation budget of $311.7 million was the largest in the province's history
- Last year, 315 km of major provincial highway were resurfaced; 550 km of "thin membrane surface" (TMS) highways were built and maintained through a partnership with 45 municipalities in 25 initiatives valued at $6.5 million; 300 km of TMS highways were improved; and 70 km of twinning on Highways 1 and 16 were opened
- Twinning on Highway 1 West is four years ahead of schedule and will be complete by fall 2004. Highway 1 East twinning is on track for completion in 2012. Highway 16 twinning between North Battleford and Lloydminster will be complete by 2010

STATUS – *Over three years, more than $900 million will be invested in the province's highways and transportation infrastructure to support economic growth.*

Prosperity and Strength in Northern and Urban Communities

TARGET
Increase per capita Gross Domestic Product by an average of 2.0% per year

- A new economic development council is better linking business and government to support economic development in northwest Saskatchewan. A similar partnership is being worked out by the Office of Northern Affairs with the Athabasca Economic Development and Training Corporation
- Construction of an oriented strand board plant near Meadow Lake began this spring. When complete, the mill will employ 130 people with an additional 130 jobs in associated activities like harvesting and trucking
- Wind power and ethanol production investments are providing environmentally sensitive economic opportunities
- The Canada-Saskatchewan Infrastructure Program is improving the capacity of Saskatchewan cities and northern communities to attract investment, people and jobs

STATUS – *Gross Domestic Product (GDP) is a common measure of economic activity. In 1999, Saskatchewan's per capita GDP was $27,322. At 3.7%, growth was higher than anticipated in 2000, but fell slightly in 2001. The Conference Board of Canada in its Summer 2002 forecast had Saskatchewan's real GDP growing at an average of 2.7% between 2002 and 2006. If this forecast holds, the GDP per capita target will certainly be met.*

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Saskatchewan's Forestry Industry is Growing

Saskatchewan's expanding forestry industry is creating economic diversity, and providing thousands of First Nations and northern residents with training and well-paying jobs. The industry's competitive advantage has received a further boost through the establishment of the $13 million Saskatchewan Forest Centre in Prince Albert. The centre focuses on agroforestry, value added processing and forest science, and co-ordinates training, market research and private sector involvement in the industry.

In the past three years, the forestry industry has seen over $500 million committed to new or expanded facilities, and the creation of more than 2,250 direct and 4,200 indirectly related jobs. These numbers will continue to rise as the industry enters into a new phase of growth using smaller logs and wood residue and the development of a more value-added wood products manufacturing sector.

Tourism Expansion

TARGET
INCREASE TOURISM REVENUE BY 25% TO $1.5 BILLION ANNUALLY BY 2005

- The Centenary Fund supports infrastructure projects like the Trans Canada Trail that leave a lasting legacy in the province
- The Canada-Saskatchewan Western Economic Partnership Agreement (WEPA) supports seven integrated tourism Web sites that are on the cutting edge of electronic commerce in this fast growing sector
- Major new projects like the RCMP National Heritage Centre are getting off the ground, thanks to support under the WEPA
- Phase II of the Northern Tourism Development Plan assessed feasibility and opportunities for tourism expansion. The next steps include a tourism development framework and the launch of several pilot projects

STATUS – Average annual growth in the province's tourism industry from 1994 to 1998 was 4.3%. The new target is slightly higher at 4.6% annually. Despite recent challenges to the tourism industry worldwide, Saskatchewan's industry has posted strong gains – tourism revenue in 2001 was already 17% over the baseline.

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